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Rapporteur: Mr. R. Konrath (United States of America)

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REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

(Agenda item 5)

1. For its consideration of this item, the Special Sessional Committee had before it the following documentation:

Least Developed Countries 1992 Report (TD/B/39(2)/10);

"The role of the GSP in improving LDCs' access to markets - Some recent developments: note by the UNCTAD secretariat" (TD/B/39(2)/CRP.7);

"Aspects of debt management in least developed countries: note by the UNCTAD secretariat" (TD/B/39(2)/CRP.8).

2. The Director of the Division for Least Developed, Land-locked and Island Developing Countries said that while the overall performance of the least developed countries continued to point to a bland stagnation, a disaggregated analysis of their development performance would clearly bring out the fact that a sizeable number of them had been registering significant rates of growth in the past few years. The basic impetus for the good performance of the countries concerned had come from a judicious combination of national policies and international support, as well as a relatively conducive external environment. The experience of those relatively successful countries needed to be contrasted with that of other LDCs, whose long-term performance ranged from stagnation to decline. Unless their conditions fundamentally improved, the overall performance of the LDCs as a whole would continue to be poor.

3. He noted that most LDCs had in recent years made substantial efforts to reorient their macro-economic and sectoral policies with a view to creating a favourable environment and sound basis for sustained growth and development. An important area of policy reform had been improving the efficiency of the mobilization and use of domestic resources, from both public and private sources. Deepening of reforms could be seen in the area of external sector policies as well.

4. Concerning external support measures, between 1990 and 1991, ODA flows from OECD countries had fallen from 0.09 per cent of their combined GNP to 0.08 per cent. The greater conditionalities attached to ODA and new claims on external financial resources might have adverse consequences for ODA flows to LDCs. In those circumstances, donors should take particular care to protect aid allocations to LDCs and consider additional specific policy initiatives in favour of those countries with a view to ensuring adequate external financial

support in line with the commitments undertaken in the Programme of Action. He stressed that debt relief measures had not so far been adequate to decisively reduce LDCs' debt overhang. Enhanced efforts on the part of official creditors could make substantial debt reduction possible, as the bulk of LDCs' debt was owed to official creditors.

5. The process of trade liberalization and rule-making in the Uruguay Round of multilateral trade negotiations was of particular significance for future trading opportunities of LDCs. The major trading partners of LDCs should carefully examine the implications of a possible outcome of the Round for the external trade prospects of LDCs and explore further measures for inclusion in the final outcome in line with the Punta del Este Declaration and the Programme of Action.

6. He emphasized that, from a longer-term perspective, the development impasse of the LDCs was by no means irreversible. The demonstrated success of a sizeable number of LDCs in generating impressive economic gains attested to the validity of the assertion, eloquently expressed in the Paris Declaration, that the situation of LDCs could be improved if those countries and their partners combined their efforts in a spirit of solidarity. On the other hand, in the absence of active substantial and sustained international solidarity in their favour, the danger of collapse of the ongoing reform process in LDCs was a real one, with consequences reaching beyond the LDCs, such as social and economic destabilization, ecological deterioration and increased migration and population displacement.

7. The representative of Bangladesh, speaking on behalf of the least developed countries, said that the Least Developed Countries 1992 Report contained a good analysis of a number of important issues concerning the implementation of the Programme of Action. In future, the Report might contain a separate chapter on the role of the various United Nations agencies in the implementation of the Programme of Action and a chapter on structural adjustment and its implications for domestic resource mobilization, external resources, market access and external debt.

8. Given the commitments undertaken by donors in the Programme of Action, the LDCs felt deeply concerned when they found that in 1991 the ODA flows to the LDCs had declined to 0.08 per cent as compared to an average of 0.09 per cent during the 1980s - the decade which had come to be known as a lost decade of development for LDCs. Equally worrisome was the increasing

competition for aid, with the emergence of new claimants for financial resources. He urged the LDCs' development partners to urgently step up their aid efforts in line with their commitments in the Programme of Action. At the same time, aid targets needed to be upwardly adjusted so as to cover LDCs' additional needs due to the enlargement of the list of LDCs. New conditionalities were being imposed on LDCs, and donor sympathy was needed in this regard, since the national priorities of LDCs should not be distorted.

9. The external debt of the LDCs continued to impose a very heavy burden on their economies and constituted a major hindrance to their efforts to adjust and reactivate their economies. At its current level, the stock of debt of LDCs represented nearly three quarters of their combined GNP. For 17 countries, the debt stock exceeded GDP. The debt relief measures from which LDCs currently benefited had proved insufficient to reduce debt servicing to a sustainable level. A substantial reduction of their debt burden would require more vigorous and enhanced measures by the international community. In addition to action on official bilateral debt, attention needed to be given to relief measures for both official multilateral debt and commercial debt.

10. Maximum advantage must be taken of the opportunity provided by the delay in the Uruguay Round to reflect constructively on the package negotiated so far, particularly as it affected LDCs, and to assess it in the light of the commitments made at Punta del Este in favour of LDCs and the developments in the world economy since then. The marginalization of LDCs in the trading system could only be reversed, if the emerging trading rules guaranteed the special and differential treatment of LDCs.

11. UNCTAD and GATT should come together to organize and service a high-level group which should initiate a thorough review of the Draft Final Act and make recommendations for adjustments of the texts to ensure that the commitments envisaged in Punta del Este vis-à-vis LDCs were better captured in the final agreements that emerged.

12. Unlocking the process of growth and development and alleviating poverty were the foremost challenges to consolidating the process of reform. In that regard, supportive measures by development partners assumed particular significance.

13. He emphasized that the need for adequate follow-up and monitoring of the Programme of Action had been consistently and strongly stressed by the LDCs

and their development partners as the key to its effective and timely implementation. The ongoing review of the secretariat structure had made the LDCs apprehensive about the possible adverse consequences for the Division for LDCs. The LDCs felt strongly that the substantive capacity of the Division for LDCs must be fully preserved, and to that end, its overall level of resources, including those provided by the General Assembly at its forty-fifth session, its present visibility in the secretariat structure, and the current level of its leadership should be left intact. In addition, particular care should be taken to ensure that the Division was not merged with any other units of the secretariat.

14. With regard to sustainable development, few developing countries had the capacity to incorporate environmental programmes into their overall development efforts, and capacity-building in the LDCs was very important. Sustainable development would require a massive effort by the entire international community. It would be necessary first to reach consensus on how to proceed, and second to mobilize resources.

15. With regard to the mid-term review called for in the Programme of Action, General Assembly resolution 45/206, and the Cartagena Commitment, substantive negotiations should begin at once.

16. Speaking on behalf of his own country, he said that, in line with the Programme of Action, the Government of Bangladesh had undertaken a wide range of policy and institutional reforms to accelerate the socio-economic development of the country. Macro-economic reforms were being implemented to foster a favourable environment for sustained economic growth and long-term development of the economy. Special focus was being given to human resources development, participatory development, including increased participation of women, poverty alleviation and environmental protection. Necessary assistance was being provided to ensure a rapid development of the private sector, and trade policies were being steadily liberalized. Steady progress had been made in the implementation of the Financial Sector Reform Programmes.

17. The reform measures under implementation were quite complex and arduous. Those efforts might well be frustrated unless adequate and timely support was made available, including a significant increase in concessional resources, a reduction of the debt burden, enhanced trading opportunities, humanitarian and emergency assistance and transfer of technology.

18. The spokesman for the African Group (Sudan) said that the plight of LDCs in Africa continued to be a phenomenon of tragic proportions. World economic conditions and many domestic factors had seriously impeded the abilities of those countries to make their contributions to the process of implementation of the Programme of Action. Their real GDP growth rate had declined by 1.2 per cent in 1991 and was estimated to have declined by 0.9 per cent in 1992. Due to all those elements, with natural disasters and civil strife in some LDCs, the picture remained a gloomy one, unless drastic supportive measures were to be taken within the context of the Programme of Action. Another gravely worrisome aspect was the fact that many African LDCs had undertaken serious and bold economic adjustment programmes since 1990, and some even long before, often generating serious social tensions by imposing unacceptable burdens of adjustment on the population and in particular on those least able to adapt to the loss of purchasing power.

19. The severity of the external debt problem of all LDCs continued to frustrate and impede their adjustment efforts. The external debt of African LDCs had more than doubled during the period 1980-1990, from US$ 37.5 billion to 77.6 billion. While appreciating initiatives taken by certain creditor Governments to ease that burden, the African Group called for outright cancellation of those debts, since reschedulings had so far only managed to postpone and not solve the problem. The question of LDCs' multilateral debt was another serious impediment to their efforts, and further innovative solutions were called for in that area. He stressed that the sharp decline in external financial flows to LDCs was yet another cause for alarm. Reversing that decline had recently become all the more necessary in view of the increase in the number of LDCs to 47. The need for an upward adjustment of ODA, particularly in grant form, could not be overemphasized.

20. The African LDCs were very much concerned about the apparent ineffective coordination of other United Nations bodies with UNCTAD in the follow-up and monitoring of the implementation of the Programme of Action. He raised certain questions regarding the substantive preparations for the forthcoming mid-term review (1955), namely the conclusions of the Inter-Agency Consultations, the role of the regional commissions and the conclusions and contributions of round tables and consultative groups. In this regard, he underlined the need to lay a substantive foundation for the mid-term review. He also noted that the questions of peace-making, relief and development had

come into sharp political focus in some African LDCs. The plight of refugees and displaced persons required joint responses from relief and development agencies. In that connection, a number of African LDC Governments had taken regional initiatives, for example on refugees and displaced persons in the Horn of Africa, in collaboration with the United Nations.

21. It was very discouraging to see LDC delegations unable to attend UNCTAD meetings because of financial constraints. He called for a modest trust fund or any institutionalized formula agreeable to development partners to allow for participation of LDC experts from capitals.

22. The LDCs' export earnings in the international commodity markets continued to fall due to the factors affecting the world commodity markets. Diversification would remain a theoretical choice unless certain structural changes were made in the international commodity markets, particularly on the demand side. More attention should be given to African LDCs in the operations of the second account of the Common Fund for Commodities, in line with the Fund's Agreement and objectives.

23. The African Group was highly appreciative of the Least Developed Countries 1992 Report, and the report should indeed continue to provide in-depth analysis of issues relating to LDCs, within the framework of the Programme of Action. Hope was expressed that the 1993 report would pay more attention to the impact of drought on African LDCs and how it related to their food security. The LDC Division in the UNCTAD secretariat, being the focal point for the review and monitoring of the implementation of the Programme of Action, should remain intact, and its current level of leadership should be maintained.

24. Finally, the time had come for a reactivation of some form of constructive political dialogue, at a decision-making level, on the progress made in the implementation of the Programme of Action among all parties concerned, with a view to enhancing its positive directions and overcoming those impediments in the way of its efficient implementation. He reiterated that the primary responsibility for their development lay with the LDCs themselves, but stressed that no tangible results could be achieved without adequate support from the international community.

25. The spokesman for the Asian Group (Nepal) said that the Programme of Action had imparted a sense of optimism concerning the fact that the LDCs, with the full support of their partners, might witness a reversal of their

overall socio-economic decline and achieve accelerated growth and development during the 1990s. However, the prospects of recovery and growth of the LDCs as a whole had become less promising. The rate of GDP growth of the Asian and Pacific LDCs had dropped to a mere 0.9 per cent in 1991. That contrasted sharply with the recent development record of most other countries of the Asian region. However, it should be pointed out that such average growth figures for the Asian and Pacific LDCs, which had a population of 206 million or 40 per cent of the total population of all the LDCs, concealed substantial differences in individual country performances. The Asian and Pacific LDCs had accepted that they bore the primary responsibility for their development and accordingly had introduced far-reaching economic reforms covering a variety of areas. However, the anticipated benefits of many of the reforms were long-term in nature, and costs were often immediate, with the most vulnerable groups usually being particularly adversely affected. These reforms, therefore, could not be sustained without adequate support from the international community, in particular from donors.

26. However, the concessional loans and grants to LDCs in 1991 had actually decreased to $14.7 billion from 15.7 billion in 1990. In terms of donor GNP, ODA flows had fallen from 0.09 to 0.08 per cent in the same period. He urged the donor countries to make available a significant and substantial increase in external financial support, as envisaged in paragraph 20 of the Programme of Action, and requested them to take definite action towards meeting the aid targets contained in paragraph 23 of the Programme of Action. He emphasized that the debt overhang continued to pose one of the main obstacles to the development of the least developed countries. High indebtedness had made economic growth with adjustment extremely difficult for those countries, while it also risked undermining their essential political commitment to reform. There was thus a need to strengthen international efforts to alleviate the debt burden of, as well as to increase concessional financing to, the least developed countries.

27. In the area of external trade, most least developed countries in the Asia and Pacific region had adopted far-reaching unilateral trade liberalization measures. Those measures ought to be matched by strong supportive action by their major trading partners. He drew the attention of the Committee to the fact that among the 13 LDCs in Asia and the Pacific, 4 were land-locked and 5 were island developing countries. The external sector performance and the

development prospects of those countries were seriously hampered by their severe geographical handicaps. He urged donors to take into account those factors in their aid allocations with a view to providing special assistance to those countries to overcome their specific geographical handicaps.

28. He stressed the need for strengthened arrangements for follow-up and monitoring of the implementation of the Programme of Action. He expressed appreciation for the excellent contribution made by the Division for Least Developed Countries, and in respect of its substantive capacity, level of resources and leadership and visibility within UNCTAD, the Division should not be affected by the restructuring of the UNCTAD secretariat.

29. The representative of Denmark, speaking on behalf of the European Community and its Member States, commended the UNCTAD secretariat for the comprehensive Least Developed Countries, 1992 Report. The Report would be of value not only for the Board but also for anyone engaged in development cooperation and policy-making. She emphasized that the particular problems of the LDCs should be addressed whenever they were relevant to the issues on the agenda of the Board or of its subsidiary bodies. Likewise the participation of experts from the LDCs needed to be stimulated. Within the context of policy dialogue and aid coordination, round-table consultations constituted an important element which Governments should make full use of and in which UNCTAD should participate, the aim of the consultations being to place further emphasis on the LDCs' long-term development needs. The European PrepCom for the Population Conference, to be held in 1994, would be of added relevance in terms of addressing the question of the continued population growth in the LDCs.

30. All countries bore the main responsibility for their own development, and in this context political and economic reform was of importance. She further highlighted the importance of the social and educational fields, good governance, respect for human rights, pluralistic democracy based on popular consent and participation, and the accountability of Governments, together with an enabling economic environment, which formed basic elements of the path to development. Similarly, she noted that domestic resource mobilization was a central element in the development process, as well as the creation of a favourable climate for the private sector, which in due time would result in an increased mobilization of resources for further investment. Likewise, the prospects of receiving foreign direct investment, and the transfer of

technology that it could bring about, were intimately linked to the profitability of the business opportunities offered. Access to financial services for small-scale businesses and industries was also important. Other important areas included well-designed trade reforms, including improvements in the efficiency of trade transactions, and the removal or decrease of export and import taxes and levies. The latter often had an effect on the volume of government revenue, and strengthening the use of revenue-generating mechanisms such as income tax, taxes on property, wealth and sales taxes would hence need to be addressed.

31. She reiterated the commitment of the European Community and its member States to assist the 47 countries on the list of least developed countries and stated that, in 1991, the European Community and its Member States had provided more than half of total DAC ODA to the LDCs. The debt burden of the LDCs was a real and immense constraint on their development efforts, and the Community and its member States supported the LDCs' development efforts through a major alleviation of their debt obligations within the framework of the Paris Club. The Community welcomed the implementation of the concessional Trinidad Terms and would continue to push for further improvements in the debt arrangements for the poorest and most indebted countries.

32. The representative of China, commending the Least Developed Countries 1992 Report, said that it provided positive guidelines to help to resolve the LDCs' problems, and the Board's review would further promote the effective implementation of the Programme of Action. Three years had passed since the Paris Conference, and during that time six more countries had been added to the LDC list. Prospects for the LDCs continued to be gloomy due to external and domestic difficulties. Per capita income showed no improvement, prices of major export items of LDCs had further declined, and access to markets, especially the markets of developed countries, had become increasingly difficult. Their debt situation remained serious. ODA to LDCs, which was subject to increasingly harsh political conditions, had stagnated, and the ratio of ODA to donors' GDP had fallen from 0.09 per cent in the 1980s to 0.08 per cent since the Paris Conference in 1990. UNCTAD VIII had reaffirmed that in view of the addition of six countries to the LDC list, external aid to these countries should be substantially increased.

33. The first part of the thirty-ninth session of the Trade and Development Board had decided that the following special issues should be reviewed in

depth by the Board at the second part of its thirty-ninth session: (a) domestic and external resource mobilization, including debt situation and management; (b) improving trading opportunities. It had also decided to consider the question of the effects which the addition of new countries to the LDC list would have on the additional resource requirements of the LDC group as a whole at the current session. He hoped that the Board at its current session would give serious and positive consideration to those issues and achieve encouraging results. The international community, and the developed countries in particular, should implement their pledges to provide LDCs with a favourable external environment to enhance their development projects and make positive contributions.

34. China had long been providing economic and technical assistance to the LDCs. In the first two years of its ongoing development programme, China had implemented 530 projects in developing countries, most of the recipients being LDCs. China had also improved its aid modalities so that its assistance could be used in a more flexible and relevant manner.

35. The representative of the World Bank said that the UNCTAD secretariat was playing a unique role in heightening awareness in the international community of the special problems facing least developed countries and in helping implement the Programme of Action for the Least Developed Countries. He particularly welcomed the analysis and insights on LDCs presented in the Least Developed Countries 1992 Report. He endorsed the Secretary-General's stress on adequate external financing in support of the reform process under way in many LDCs.

36. His institution continued to intensify its broad array of activities designed to help borrowers more effectively confront their poverty reduction challenges along two key dimensions: first, by explicitly incorporating poverty reduction objectives into the Bank's country assistance strategies; and second, by increasing lending which concentrated on broad-based labour-intensive growth, providing the poor with access to physical infrastructure and basic social services, and eliminating policy distortions that adversely affected the interests of the poor. In addition, greater support was being given to the design and establishment of safety nets to protect the most vulnerable members of society during adjustment and/or transitional phases of lending operations. The Bank was also moving vigorously to implement its recently approved strategy for the reduction of

poverty. There had been a substantial five-fold increase in bank lending for human resources development - from 5 per cent of World Bank/IDA lending in FY 1981-1983 to 14 per cent in FY 1990-1992. There had also been a rapid increase in lending specifically targeted to the poor. Given the strong poverty focus of the Bank's work, assistance to low-income countries but particularly LDCs was now a priority commitment for the Bank. In this connection, since fiscal year 1981, IDA had committed $21.2 billion to LDCs.

37. He briefly highlighted a number of initiatives of special interest to LDCs, including the African Capacity Building Initiatives, the Special Programme of Agricultural Services, and the Social Dimensions of Adjustment. The tenth replenishment of the International Development Association (IDA), the negotiations on which had been successfully completed in December 1992, projected resources during FY 1994-1996 of about SDR 16 billion or US$ 22 billion. Donors had stressed the need to focus IDA funding on poverty reduction, to integrate environmental sustainability into the development programmes which IDA supported, to underline this theme in country-assistance strategies, and to ensure that borrowers demonstrated a greater sense of ownership of projects while involving beneficiaries more fully in project design and implementation.

38. The representative of the United States of America said that the Least Developed Countries 1992 Report was a major attempt to help in identifying and clarifying some of the difficulties faced by the least developed countries. Those difficulties related, inter alia, to population growth rates, productivity, education, diversification, general economic policies, indebtedness and loss of agriculture. She applauded the secretariat for putting first the problem of population, which was indeed one of the main reasons for slow development faced by the LDCs. She offered figures showing a rapid rise in the global population, and said that between now and the year 2025, about 95 per cent of all global population growth would take place in the developing world, with much of it in the least developed countries. She pointed out that a careful reading of the tables in the annex to the report revealed that over half of the LDCs showed average GDP growth rates of 2.5 per cent or more per year for the period 1985-1990, a better performance than during the period 1980-1985, and respectable growth rates by any standard. The difficulty, of course, was that per capita growth rates told a wholly different story, the story of countries struggling to stay even with

population growth rates, and sadly, in many cases, not succeeding. The rise in population was being accompanied by a strong movement away from agriculture, leading to urbanization and megacities, which would become centres of poverty and social collapse. It was a source of concern that as recently as 1990, 24 of the 47 least developed countries had had no direct policies to intervene to lower population growth rates, 4 had been trying to raise their growth rates, and 2 had been maintaining existing rates. Besides population increases, other major problems included, inter alia, diminution of grazing lands and food supplies, the burden of indebtedness, the decay of infrastructure, the reduction of spending on health care and education, the residual strength of some traditional cultures which did not offer equal opportunities to all citizens, especially to women, and the powerful hold of corrupt bureaucracies and ethnic loyalties. Too often in the LDCs, agriculture had been neglected while bureaucracies had flourished. The disappearance of agricultural surpluses, especially in Africa, and the inattention to manufacturing for export were costing those economies dearly.

39. She provided a comprehensive review of recent measures undertaken by the United States to reduce ODA debt, as well as to reschedule debt service in the framework of the Paris Club. Since FY 1990, the United States Government had reduced bilateral official debt by US$ 12.1 billion for countries undertaking economic reforms. As regards LDCs, concessional aid and P.L. 480 debt totalling more than US$ 2.6 billion had been forgiven for 22 LDCs. Under the Enterprise for the Americas Initiative, seven countries had received concessional debt reduction totalling US$ 875 million. The United States Government had also forgiven approximately US$ 920 million of ODA debt owed by LDCs. She emphasized that her Government required that a country should undertake a sound economic reform programme to be eligible for United States bilateral debt reduction or Paris Club debt rescheduling. Furthermore, her Government followed a case-by-case approach to debt relief. She added that, for the poorest countries, the Paris Club currently provided Enhanced Toronto Terms, and for the lower middle-income countries, the Paris Club provided "Houston Terms" with generous rescheduling terms.

40. The representative of Ethiopia said that his delegation was deeply concerned by the fact that the economic performance in most of the least developed countries was below expectations in the 1990s despite the serious efforts made by those countries to carry out political and economic reforms.

He urged the LDCs' development partners to significantly increase their efforts to reach the ODA targets of the Programme of Action, while making the necessary arrangements to take into account the needs of those countries newly added to the list of LDCs.

41. Development partners should take urgent measures to reduce the debt stock and debt-servicing burden of LDCs, including debt due to multilateral financial institutions, in line with the provision of the Programme of Action and recent initiatives for alleviating LDCs' external debt. The LDCs should be offered unrestricted market access and opportunities to strengthen their services sector and should be supported in their efforts towards diversification and technological progress.

42. Highlighting the prevailing political and economic situation in Ethiopia, he said that, since the establishment of a broad-based Transitional Government in 1991, Ethiopia had been undergoing a democratization process. The Transitional Period charter had been adopted, which proclaimed respect for human rights and fundamental freedoms and thus provided wider opportunities for different political views to find free expression. The Ministry of Planning and Economic Development had recently set out a detailed plan for economic reform. That new programme contained several initiatives designed to boost the economy, central among which was the use of market mechanism to determine prices, thus encouraging competition.

43. The representative of Norway, speaking on behalf of the Nordic Countries, said that the Least Developed Countries 1992 Report covered the chosen topics rather well, though it should have been made available much earlier to allow more through preparation by delegations. Five broad conclusions emerged from the report. Firstly, many LDCs were caught up in a process of continued economic marginalization, declining per capita income and rapid population growth. Secondly, internal stability, sound economic policies and good governance had contributed to the better performance of a handful of LDCs. That illustrated the point made by the UNCTAD secretariat that LDCs had the capacity for growth and development and to sustain it. Thirdly, unless problems of governance were overcome, countries plagued by economic malaise and social and political turmoil would not be able to return to sustainable growth. There was a need for international support, but most of the changes would have to come from within. Fourthly, there was room for improved

domestic resource mobilization, and fifthly, the external resource requirements were not only massive but also on the rise.

44. He noted that, though trade taxes might be affected by liberalization and declining commodity prices, taxes on income, property and wealth, sales and excise taxes, household and foreign savings, and repatriation of flight capital were important for mobilization of domestic resources, and LDCs had to focus more on supply-side revenue generation. However, financing gaps that domestic resource mobilization left in the short- and medium-term in many LDCs needed to be filled by external support. The Nordic countries were concerned with the stagnation in ODA for the LDCs, and the trend whereby LDCs were benefiting less than other developing countries from recent increases in ODA needed to be reversed. Despite budgetary difficulties, the donor community should increase ODA to LDCs in line with the Programme of Action and the Cartagena Commitment. The addition of six new countries to the LDCs list added to the need for increased assistance; the Nordic countries were in principle in favour of an upward adjustment of the aid targets, and the 1995 mid-term review would be an appropriate forum for that. He urged the donor countries to narrow the gap between ODA performance and the existing targets, and corrective measures should also be taken to improve the quality of aid, including technical co-operation, to ensure that it resulted in building up human skills and domestic self-sustained institutional capacity. He welcomed the fact that LDCs increasingly sought to take advantage of the opportunities provided by consultative groups and round tables and saw no valid reason to significantly alter the basic functioning of the country review process. He stressed the importance of recipient country commitment to aid conditionalities and "ownership" of reform programmes.

45. The debt overhang implied a heavy tax on economic reforms in the LDCs, and for most of the LDCs current debt relief measures fell far short of what was actually needed. The Nordic countries reiterated their proposal for an 80 per cent write-off of the debt stock of those countries which put in place economic and development policies justifying such large-scale debt relief. It was regrettable that the well known position of the Nordic countries had been left out of the otherwise very informative debt relief simulations in the report.

46. Referring to UNCTAD as a centre of excellence on LDC issues, he said that delegates, experts from capitals and the secretariat should ensure that LDC

issues, which were cross-sectoral in nature, permeated UNCTAD's work wherever relevant. Moreover, in addition to reporting to the General Assembly, the UNCTAD secretariat should ensure that the valuable work done by the LDC Division found its way to New York and elsewhere in the United Nations system, so as to feed into operational activities.

47. The representative of Canada said that the basic thrust of the Secretary-General's overview of the world economic situation in the Least Developed Countries 1992 Report was sound. He particularly expressed appreciation for the differentiation that had been made in respect of the levels of development in different countries and regions within the developing world.

48. The stagnation of LDC economies had coincided with a deep and sustained recession in industrialized countries, and this recession had no doubt resulted in the reduction of financial flows to the LDCs. However, net transfers had remained positive in recent years for South Asia, the Middle East and sub-Sahara Africa.

49. He stressed that it was impossible to talk about the future of the LDCs, or indeed of the rest of the trading world, without acknowledging the critical importance of a speedy conclusion to the Uruguay Round of multilateral trade negotiations. A successful conclusion to the Uruguay Round would also validate the economic policies that many LDCs had undertaken, not least of all by increasing and providing a measure of security for their exports.

50. Concerning LDCs' external debt, Canada was committed to the extension of the Trinidad Terms on a case-by-case basis to selected lower-middle-income countries. The "stock of debt" approach continued to be the most effective method for addressing the debt overhang of the poorest countries. He cautioned, however, that at this point an international consensus on debt forgiveness would be most difficult to achieve.

51. Providing a brief update on Canada's international assistance programme, he said that Canada currently had development programmes in all but one of the countries listed in the United Nations 1990 list of least developed countries. Of the countries recently added to the list, it had small programmes in four.

52. Finally, Canada viewed commitments on the part of developing countries to the principles of good governance, democratic development and human rights as a part of "good development", creating the best possible conditions for the effective use of scarce aid resources.

53. The representative of the United Republic of Tanzania, reviewing the socio-economic performance of the LDCs, external resource flows and external debt since the adoption of the Programme of Action, said that, since the LDCs were undertaking vigorous and determined efforts at political and economic reform and adjustment, the international community should provide complementary and supplementary support on a timely and effective basis. The Special Sessional Committee should in particular discuss the question of trading opportunities for LDCs, taking into account their limited capacity to expand their trade and their inability to diversify their economies.

54. He noted that the performance of his country's economy had been encouraging but was far from attaining sustainable growth and development. Gross domestic product (GDP) had grown at an average rate of 3.5 per cent between 1989 and 1992, while the inflation rate had declined from 28 per cent in July 1989 to about 22 per cent or below by the end of 1992. However, that was still high compared to the targeted rate of 10 per cent. The balance of payments had remained under strain due to the deterioration of the external terms of trade. Prices of major export commodities such as coffee, cotton and other agricultural products had fallen by 50 per cent, against an increase of 8 to 10 per cent in export volume.

55. Through the Paris Club, some of the United Republic of Tanzania's external debt had been cancelled, but most of the debt had been rescheduled, and larger repayments of previously rescheduled debt had now begun to fall due. In order to maintain an adequate level of foreign exchange reserves beyond 1993/1994, the financing gap would have to remain, requiring provision of exceptional balance-of-payments assistance.

56. While his Government appreciated the contribution made by bilateral and multilateral donors in the implementation of recovery programmes, much still left to be desired in terms of time, effectiveness and adequacy of external assistance.

57. The representative of Japan said that, in 1991, Japan's bilateral ODA to the least developed countries had totalled nearly US$ 1 billion, a more than threefold increase over 1981 when the SNPA for the LDCs for the 1980s had been adopted. Japan had worked faithfully to expand its grant aid to the least developed countries, and the ratio of grant aid to bilateral ODA to the LDCs in 1991 had stood at 80.6 per cent, compared with 54 per cent in 1981. The Government of Japan had set its Fourth Medium-Term Target in June 1988, aiming

at increasing the aggregate amount of ODA during the period of 1988 to 1992 to more than US$ 50 billion, more than double the aggregate volume of ODA disbursed in the years 1983 to 1987. The Fourth Medium-Term Target clearly stated that the share of grant aid in ODA to LDCs would be further increased. As part of its grant aid activities, Japan had provided a good number of least developed countries with grants in amounts equal to the total principle and interest of loans to these countries. At the Toronto Summit, Japan had announced that from fiscal year 1989 onwards, the scope of its debt relief to LDCs, which had previously applied to ODA loan agreements concluded up to fiscal year 1977, would be expanded to include agreements concluded with Japan between fiscal years 1978 and 1987. Debt relief had been made available for an additional US$ 5.5 billion.

58. Another type of assistance was non-project grant aid for structural adjustment support. During the three years from fiscal year 1987 to 1989, Japan had provided assistance of this kind totalling approximately US$ 500 million to 26 African countries. It was now implementing the second phase of such assistance with the provision of approximately US$ 600 million over a three-year period starting in fiscal year 1990. His country would continue its efforts to expand aid flows to LDCs during the 1990s, in accordance with its commitment at the Paris Conference in 1990.

59. The representative of Nepal said that ODA flows to the LDCs had fallen from 0.09 per cent of the combined GNP of OECD countries in 1989 and 1990 to 0.08 per cent in 1991. He called for the full support of development partners in taking appropriate actions to reach the ODA targets of the Programme of Action. Debt service payments by the LDCs amounted to almost 22 per cent of their export earnings, and the severity of their external indebtedness was likely to adversely affect their development efforts. The land-locked least developed countries continued to face serious problems aggravated by high operating costs of transit transport, remoteness and isolation from world markets, and he called for the implementation of General Assembly resolution 46/212 of 20 December 1991 by all concerned. He thanked the UNCTAD secretariat for organizing a meeting in May 1993 on issues related to the land-locked countries.

60. With regard to its recent efforts towards the creation of a more liberal and competitive economic environment, his country had experienced a period of political stability since the election of the new democratic Government in

May 1991. That, and the improved external environment induced by the economic reforms in the region, had promoted a resumption of policy reforms in Nepal. The Government had taken bold initiatives to restore growth through market-oriented policies aimed at enhancing more private sector participation and improving the efficiency of the public sector. Major policy initiatives had comprised: (i) full convertibility of the rupee as from February 1993; (ii) new trade, industry and foreign investment policies; and (iii) progress in improving public sector management, including a civil service retrenchment programme, containment of total wage growth, initiatives to prioritize development expenditures, and privatization of some public sector enterprises. He noted that the economic performance of 1992 in Nepal had been mixed. Despite the satisfactory performance of the non-agricultural sector, which had grown by 7 per cent, GDP growth had declined to about 3 per cent in 1991-1992, from 5.5 per cent in 1990-1991. The Government had recently embarked on an economic programme for the period 1992/93-1994/95. The programme aimed at: (i) containing inflation; (ii) reducing public sector borrowing; and (iii) reducing external imbalances. Output growth was targeted to average about 4.5 per cent annually, compared with 3.7 per cent in the preceding three-year period.

61. The representative of Liberia said that serious measures should be put in place to ensure the availability of adequately trained personnel prepared to participate fully in development-oriented projects designed to improve the living condition of the most needy within the urban and rural population in the LDCs. The ongoing scourge of war, hunger and mass displacement of large population groups in a number of LDCs, many of whom had become wards of relief agencies and the international community, had caused revulsion around the globe. The irony of the situation was that, whilst relief agencies and people of good will struggled to grapple with such unpleasant phenomena, considerable evidence continued to point at what could only be categorized as an alliance between local war lords and a well organized group of so-called entrepreneurs operating within the borders of some development partners. Those developments unfortunately made a mockery of ongoing assistance programmes to the LDCs concerned. The international community concerned with the plight of the LDCs could not remain indifferent to those and other worrisome problems. He hoped that once the civil conflict was over in his country, democracy would be restored with the help of the international community.

62. The representative of Mozambique said that the success of efforts of LDCs should be fully complemented by their development partners, through the provision of ODA, debt relief and favourable terms of trade and assistance to overcome the consequences of unforeseen external economic shocks and natural disasters and calamities. Mozambique had launched, in January 1987, a far-reaching social and economic rehabilitation programme. In view of the complex nature of the economic distortions and imbalances facing the country, the reform programme had necessarily been drawn up from a long-term perspective.

63. Referring to his country's economic performance, he said that GDP growth had fallen from 5.4 per cent per annum on average in 1987-1989 to only 0.8 per cent per annum in 1990-1992. That decline was mainly attributable to the lack of security in Mozambique and its severe consequences on agricultural production, drought and a decline in non-food external aid in 1991-1992. The implementation of the General Peace Agreement of October 1992 between the President of the Republic and Renamo posed new and enormous challenges and required resources that were beyond the capacity of the Government.

64. The question of LDCs should continue to be a priority topic in all international forums and more vigorous action was necessary to decisively reduce the debt stock and debt service burdens of the LDCs, as the present mechanisms had proved to be inadequate in reducing the debt of these countries.

65. The representative of Cambodia said that, for political and historical reasons, the Cambodian people had lost 20 years of progress, while around them were to be found some of the fastest growing nations. Cambodia was now undertaking the rehabilitation of its shattered economy, and it might in the near future be on the road towards reconstruction and development.

66. Substantial support from development partners should be provided to the LDCs without preconditions at the preliminary stage. He cited ODA provided by the Nordic countries as the best example. The LDCs would have to actively reorient their macro-economic and sectoral policies with a view to creating a favourable environment and a sound basis for sustained growth and development. Since 1992, the Cambodian authorities had been implementing a series of economic measures aimed at stabilizing the economy and ensuring a stable environment for the general elections to be held in May 1993.

67. Cambodia was facing new challenges. It must resettle some 700,000 refugees, internally displaced persons and demobilized soldiers, and it must deal with the aftermath of 20 years of warfare. Although Cambodia was already deeply involved in the process of democratization and economic liberalization and had gone beyond the "point of no return" two or three years earlier, ODA and multilateral assistance were not flowing into Cambodia at the required pace and level due to adverse internal and external factors. He recalled that, in June 1992, a Conference on Rehabilitation and Reconstruction of Cambodia had been held in Tokyo. Participants in the Conference had pledged some $800 million to be disbursed before the end of 1993. However, objections by certain Cambodian factions had jeopardized the disbursement of those resources. On the donors' side, several reasons, both objective and subjective, had been invoked to justify the slow disbursement of aid. Conditionalities attached to external assistance were necessary for sustained development but should be implemented on a case-by-case and step-by-step basis, with strong emphasis on better understanding between LDCs and their development partners, as well as more real efforts from the latter to help but not distort the pace of development of the LDCs. Germany had written off Cambodia's debt, and he urged all other development partners to follow that example.